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MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

February 23, 1972

MEMORANDUM FOR: GENERAL HAIG
FROM: RICHARD H. SOLOMON
SUBJECT: A Reply to Whitman Ridgway of General Electric,
Who Informs Dr. Kissinger of a Gas Turbine
Sale to the PRC

At Tab B is a letter to Dr. Kissinger from Whitman Ridgway, Vice President of the Gas Turbine Products Division of General Electric. Mr. Ridgway informs Dr. Kissinger of a recent transaction between authorities in the People's Republic of China and a G. E. manufacturing associate in Scotland for the sale of gas turbines for electric power generation. The total value of this transaction is \$9.1 million.

A courtesy reply to Mr. Ridgway from you thanking him for informing Dr. Kissinger of this transaction is at Tab A.

Recommendation:

That you sign the letter at Tab A.

GENERAL  ELECTRIC

**GAS
TURBINE
BUSINESS
OPERATIONS**

GENERAL ELECTRIC CO., ONE RIVER RD., SCHENECTADY, N. Y. 12345, Phone 374-2211
BUILDING 500, ROOM 200 Extension: 5-2366

February 8, 1972

Dr. Henry A. Kissinger
Assistant to the President for
National Security Affairs
White House
1600 Pennsylvania Avenue
Washington, D. C.

Subject: Peoples Republic of China
General Electric Heavy Duty Gas Turbines

Dear Dr. Kissinger:

In view of President Nixon's upcoming visit to Peking, we thought it appropriate to summarize our Company's efforts and progress in supplying gas turbines for power generation to the Peoples Republic of China.

John Brown Engineering of Scotland, a Manufacturing Associate for General Electric, has recently been negotiating with representatives of the Peoples Republic of China for the sale of several General Electric design heavy duty gas turbines. The attached summary describes the Manufacturing Associate arrangement. The Peoples Republic of China has increasing need for electric power and have been favorably considering the use of gas turbines to supply a portion of that need. On December 22, 1971, the management of John Brown Engineering announced in Peking the signing of a \$9.1 million contract with China National Machinery Import and Export Corporation, Peking, for the supply of five package gas turbine generating power plants and ancillary equipment. Delivery to be second half of 1972 and payment to be in cash.

Each of the General Electric design heavy duty gas turbines will produce 22,000 kilowatts of 50 cycle electrical power. Present plans involve the manufacture of the gas path turbine components by Alsthom at Belfort, France and the remainder of the gas turbine unit manufacture, assembly, test and shipment by John Brown Engineering from Scotland. The value of the General Electric components, produced by Alsthom under sub-contract to us, is \$2,750,000.

Dr. Henry A. Kissinger

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February 8, 1972

The General Electric Company has been working with both John Brown Engineering and Alstom on the technical aspects of the proposal made by John Brown Engineering to the Peoples Republic of China. General Electric has also been in continuing communication with the appropriate United States government agencies with respect to the official approvals required for export of General Electric origin gas turbine technology plus any minor parts or other components which may be manufactured in the United States. All required government approvals have been granted for the export of General Electric gas turbine technology and any United States manufactured components required.

Should additional information be desired, please let me know.

Sincerely,



Whitman Ridgway
Vice President and General Manager
Gas Turbine Products Division

/s
Attachment

cc: Dr. T. O. Paine
L. B. Davis

GENERAL ELECTRIC COMPANY

MANUFACTURING ASSOCIATE AGREEMENTS - HEAVY DUTY GAS TURBINES

SUMMARY

The General Electric Company is the world's leading manufacturer of heavy duty gas turbines for electric power generation, mechanical drive application and marine propulsion. General Electric heavy duty design gas turbines installed or on order exceeds 1500 throughout the world. One of the economic approaches General Electric has developed to do business abroad is to arrange manufacturing agreements with seven major overseas companies in areas where it would be most difficult, for a variety of political and economic reasons, if not impossible, for General Electric to sell units. The seven companies are Alsthom of France, John Brown Engineering of Scotland, Nuovo Pignone of Italy, Thomassen of The Netherlands, AEG of West Germany, Kvaerner Brug of Norway and Hitachi of Japan.

Under the Manufacturing Associate arrangements, General Electric manufactures the rotating parts and the Associate Company builds the stationary parts and assembles and tests the complete machines to rigid General Electric Company specifications. General Electric supplies the parts having high technological content and the Associate Companies supply the parts having higher labor content. Over a number of years, this has proven to be a highly satisfactory arrangement for both General Electric and the Associate Companies as indicated by the fact the seven Associate Companies have sold over two hundred General Electric design units for installation in various parts of the world.

2/8/72